



United States
General Accounting Office
Washington, D.C. 20548

156627

Accounting and Information
Management Division

B-270522

January 23, 1996

The Honorable William F. Clinger, Jr.
Chairman, Committee on Government
Reform and Oversight
House of Representatives

Dear Mr. Chairman:

In May 1994, we reported to the Congress on issues related to the White House Travel Office.¹ We identified and used 29 specific criteria to evaluate the financial management and procurement operations of the Travel Office and stated that as of April 1994, the Travel Office had developed policies and implemented procedures consistent with 20 of the criteria and had begun, or agreed to take, action on the remaining 9.

In September 1995, you requested that we (1) follow up with the Travel Office on the status of the 29 financial management criteria and (2) review the financial statement audit of the White House Travel Office Press Fund for calendar year 1994, which was performed by an independent public accounting firm. This letter summarizes our follow-up work at the Travel Office and our review of the 1994 financial statement audit. We earlier briefed you and your staff on our work, and we also testified on this matter before your committee in October 1995.²

We found that the Travel Office had developed policies and implemented procedures during the period January 1995 through August 1995 to address all

¹White House: Travel Office Operations (GAO/GGD-94-132, May 2, 1994).

²White House Travel Office Review (GAO/T-GGD-96-33, October 24, 1995).

but 3 of the 29 criteria. For those three, we found that the Travel Office had not (1) billed customers within its stated 15-day requirement, (2) paid vendors within its stated 45-day requirement, and (3) performed bank reconciliations regularly. The 29 financial management criteria and the Travel Office's related compliance status as of April 1994 and August 1995, are listed in enclosure 1. On January 18, 1996, the White House provided a response to a draft of this letter. The response, which is enclosure 2, refers to an excerpt from our May 1994 report, which we have included as enclosure 3. Enclosure 3 lists the Travel Office's compliance with the financial management criteria in May 1993 as observed by KPMG Peat Marwick, a public accounting firm. KPMG addressed 25 of the 29 criteria, and concluded that the Travel Office did not have adequate procedures in place for 19 of the 25.

Tichenor & Associates, the independent accounting firm responsible for the 1994 financial audit of the Travel Office Press Fund, found that the Fund's financial statements were reliable in all material respects. Our review of that audit disclosed no instances in which the firm did not comply, in all material respects, with generally accepted auditing standards.

SCOPE AND METHODOLOGY

In performing our work, we interviewed White House officials, Travel Office staff, representatives of news organizations, and the public accounting firm officials responsible for the 1994 audit. We also reviewed written documentation of Travel Office policies and procedures; observed administrative and recordkeeping activities; performed a detailed review of the trip files for 7 of the 33 trips between January 1995 and August 1995 (6 of which were selected randomly and 1 of which was chosen because of its complexity); analyzed receivable and payable aging reports, general ledger reports, and other internal accounting records; reviewed two drafts of a 1995 internal oversight study performed by staff in the White House's Office of Administration, Office of Management and Administration, and Office of the Chief of Staff; reviewed the financial statement auditors' working papers, including planning, testing, and reporting documents; and reviewed the 1994 financial statements, related notes, and management letter. The Travel Office had not prepared auditable financial statements covering the period May through December 1993, and we did not review any transactions from that period. As we stated in our May 1994 report, the Travel Office had made improvements in its day-to-day operations between June and October 1993, but stringent internal control procedures to assure sound financial management had not been fully implemented when we finished our work in April 1994.

We conducted our review from September 25 through October 17, 1995, in accordance with generally accepted government auditing standards.

TRAVEL OFFICE PROCEDURES
COMPLY WITH 26 CRITERIA

We found that the Travel Office had developed policies to address all 29 financial management criteria and, during the period January through August 1995, it had implemented procedures addressing 26 of them. For example, we found that the Travel Office continued to identify and record all trip related costs, correctly allocate those costs to its customers, maintain a system of billings and receipts, and apply receipts to the appropriate outstanding bills. In addition, the Travel Office had completed actions that had been planned or were underway at the time of our original review. For example, the Travel Office's financial statements for calendar year 1994 were audited and future annual audits are planned. The Travel Office also expanded its written policies, procedures and manuals; developed written position descriptions that establish clear lines of authority and provide for a segregation of duties; and began production of required financial reports, including reports on the Travel Office's financial position, operations, and cash flows.

TRAVEL OFFICE PROCEDURES
DO NOT COMPLY WITH 3 CRITERIA

The Travel Office had not implemented its procedures related to three criteria. First, although customers were to be billed within 15 days of trip completion, both our original and recent reviews indicated that the Travel Office generally fell short of that goal. Of the seven trips we reviewed, only one was billed within 15 days. The remaining trips were billed within 18 to 90 days, with the average being billed within 38 days. Timely billings are particularly critical for the Travel Office because it does not have working capital with which to cover travel related costs—the Travel Office must bill its customers and collect amounts due before it can pay its vendors. The Travel Office has stated its commitment to improving its billing practices; however, it faces several obstacles, including a lengthy process for accumulating relevant costs and manually allocating those costs to all customers.

Second, while the Travel Office's stated policy is to pay its vendors within 45 days of the invoice date, both our original and recent reviews showed that the Travel Office rarely followed its policy, particularly for large bills such as airline charter and phone service costs. We selected 14 vendors from the trip files we

reviewed and found that only 2 had been paid within the requisite period—7 had been paid between 67 and 106 days after the invoice date, and 5 bills were still outstanding from trips made in April, May, June, or July of 1995. Because the Travel Office lacks working capital, late billings to customers or late remittances from customers result in late payments to vendors. White House officials recognize that the Travel Office needs to have working capital so that it can pay its vendors promptly. Officials are currently considering several options for obtaining working capital, including seeking an appropriation, adding a surcharge to customer bills, or requiring customers to prepay certain travel costs. We believe that without working capital, the Travel Office will continue to pay some of its bills late.

Third, the Travel Office had a policy requiring monthly reconciliations of its checkbook balance with the cash balance reported by its bank. As of April 1994, we found that staff were performing the reconciliations as required. However, from January 1995 through August 1995, Travel Office staff performed no bank reconciliations because other tasks were given a higher priority. Immediately prior to our review, the Travel Office reconciled all outstanding bank statements and found deposits totaling \$200,000 that had not been entered into its checkbook. These funds were all owed to vendors who had previously furnished goods and services for press trips. White House officials informed us that future monthly reconciliations will be performed as required.

OTHER OBSERVATIONS

While performing our work, we identified three areas in which the Travel Office would benefit from changes in its operations. At the conclusion of our work, we shared our observations with Travel Office staff who indicated their intention to address these areas.

First, the Travel Office's accounting system does not automatically link its cost collection and allocation activities to its general ledger. Currently, Travel Office staff must manually reenter data from a spreadsheet program into the general ledger—a process that takes time, increases the opportunity for errors, and delays billings to customers.

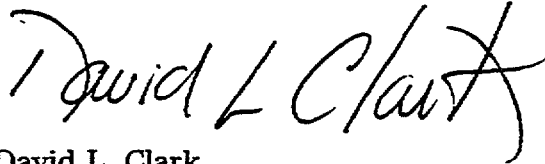
Second, the Travel Office maintains two press funds, one for trips taken before 1994 and one for trips taken in 1994 and later. The Travel Office accounting system, however, does not readily segregate the two funds and Travel Office staff must therefore expend significant effort to prepare financial statements and other reports that accurately reflect the separate funds.

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Third, the Travel Office Press Fund financial statements do not provide a detailed breakout of the types of revenues collected and expenses incurred, for example, air transportation, ground transportation, catering, and phone service. Also, the statement notes would be more informative if they included a more detailed discussion of the Fund-related activities and costs not reported in the financial statements. For example, Travel Office staff, office space, and utilities directly support the Press Fund but are not charged to the Fund or discussed in the notes to the financial statements. Further, the financial statement audit would be more informative if it was conducted in accordance with generally accepted government auditing standards rather than commercial standards, which were used on the 1994 audit. Government standards provide for additional reports on internal controls and compliance with laws and regulations.

Please contact me at (202) 512-9489 if you or your staff have any questions about our work.

Sincerely yours,

A handwritten signature in black ink that reads "David L. Clark". The signature is written in a cursive, flowing style with a large, stylized "D" and "C".

David L. Clark
Director, Audit Oversight and Liaison

Enclosures

STATUS OF FINANCIAL MANAGEMENT CRITERIA IMPLEMENTATION
IN THE WHITE HOUSE TRAVEL OFFICE

Category/criteria	GAO assessment April 1994	GAO assessment August 1995
Administrative guidelines		
Written policies and procedures	Revised and expanded (May 1994)	Procedures in place
Segregated duties; lines of authority clearly communicated	Revised and expanded (May 1994)	Procedures in place
Periodic audits	Planned (Dec. 1994)	Procedures in place
Oversight and guidance	Procedures in place	Procedures in place
Procurement of goods and services		
Customers' needs determined	Procedures in place	Procedures in place
Goods and services acquired competitively	Procedures in place	Procedures in place
Documented agreements or written contracts	Procedures in place	Procedures in place
Accumulation and allocation of costs		
System to identify and record all costs	Procedures in place	Procedures in place
System to determine costs to be recovered	Procedures in place	Procedures in place
System to provide accurate data for billing	Procedures in place	Procedures in place
Billing practices		
Billings prepared timely	Backlog eliminated (May 1994)	Do not always comply with procedures
Payment due date identified	Procedures in place	Procedures in place
System to maintain history of billings and receipts	Procedures in place	Procedures in place
System to apply receipts to appropriate outstanding bills	Procedures in place	Procedures in place
System to track money owed and produce collection letters for overdue accounts	Procedures in place	Procedures in place

STATUS OF FINANCIAL MANAGEMENT CRITERIA IMPLEMENTATION
IN THE WHITE HOUSE TRAVEL OFFICE

Category/criteria	GAO assessment April 1994	GAO assessment August 1995
Cash management		
Vouchers reviewed and approved before payment	Procedures in place	Procedures in place
Procedures to prevent duplicate payments	Procedures in place	Procedures in place
Payments made timely	Backlog eliminated (June 1994)	Do not always comply with procedures
Receipts deposited on the day received or next business day	Procedures in place	Procedures in place
Small receipts accumulated and deposited weekly	Procedures in place	Procedures in place
Adequate internal controls for security of funds	Procedures in place	Procedures in place
Periodic bank reconciliations	Procedures in place	Do not always comply with procedures
Financial reporting		
Transactions accurately recorded and disclosed in financial reports	Procedures in place	Procedures in place
General ledger to classify, summarize, and report financial data	Procedures in place	Procedures in place
Subsidiary ledgers to provide detailed information, and are periodically reconciled	Procedures in place	Procedures in place
System for reports	Planned (July 1994)	Procedures in place
Report on Financial Position	Planned (July 1994)	Procedures in place
Report on Operations	Planned (July 1994)	Procedures in place
Report on Cash Flows	Planned (July 1994)	Procedures in place

COMMENTS FROM THE WHITE HOUSE

THE WHITE HOUSE

WASHINGTON

January 11, 1996

Mr. Gene L. Dodaro
Assistant Comptroller General
Accounting and Information
Management Division
General Accounting Office
Washington, DC 20548

Dear Mr. Dodaro:

We have reviewed the draft of GAO's proposed letter on the White House Travel Office. Our only comment relates to the chart that you have attached to your letter, which evaluates the Travel Office according to the 29 criteria developed by GAO. This chart compares the Travel Office's performance in April 1994 and August 1995.

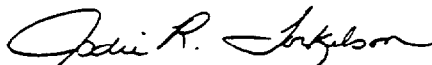
Although the April 1994 and August 1995 comparison certainly demonstrates the Travel Office's steady progress, it tells only part of the story. As you know, in May 1993 the auditing firm of KPMG Peat Marwick conducted a review of the Travel Office. You summarized KPMG's conclusions in your May 1994 report, White House: Travel Office Operations, under the heading "KPMG Found Numerous Weaknesses," and prepared a chart identical in format to the chart in your draft letter (see pp. 31-33). According to your summary, KPMG found that the Travel Office in early 1993 complied only with a small fraction of the 29 criteria. As you stated, "our work showed that KPMG addressed 25 of the 29 criteria we identified," and that "the White House Travel Office did not have adequate procedures in place that would satisfy 19 of the 25" (p. 31).

GAO Note: KPMG's
observations are
reprinted as
enclosure III.

Only by comparing the May 1993 results -- 6 out of 25 criteria addressed -- with the August 1995 results -- 26 out of 29 -- can a true picture of the Travel Office's progress be painted. For that reason, we request that you add a column to your comparison chart to incorporate the summary of the KPMG observations you presented in your May 1994 report at pages 32-33. A photocopy of those pages is attached.

Thank you for your assistance in this matter.

Very truly yours,



Jodie R. Torkelson
Assistant to the President
for Management and Administration

Encl.

KPMG OBSERVATIONS RELATED TO CRITERIA GAO IDENTIFIED

Category/criteria	KPMG Observations May 1993
Administrative guidelines	
Written policies and procedures	None
Segregated duties; lines of authority clearly communicated	None
Periodic audits	None
Oversight and guidance	None
Procurement of goods and services	
Customers' needs determined	None
Goods and services acquired competitively	None
Documented agreements or written contracts	None
Accumulation and allocation of costs	
System to identify and record all costs	None
System to determine costs to be recovered	Not tested
System to provide accurate data for billing	None
Billing practices	
Billings prepared timely	Some procedures in place
Payment due date identified	Not tested
System to maintain history of billings and receipts	None
System to apply receipts to appropriate outstanding bills	Some procedures in place
System to track money owed and produce collection letters for overdue accounts	Some procedures in place
Cash management	
Vouchers reviewed and approved before payment	None
Procedures to prevent duplicate payments	Not tested
Payments made timely	Not tested
Receipts deposited on the day received or next business day	None
Small receipts accumulated and deposited weekly	Some procedures in place
Adequate internal controls for security of funds	Some procedures in place
Periodic bank reconciliations	Some procedures in place
Financial reporting	
Transactions accurately recorded and disclosed in financial reports	None
General ledger to classify, summarize, and report financial data	None
Subsidiary ledgers to provide detailed information, which are periodically reconciled	None
System for reports	None
Report on Financial Position	None
Report on Operations	None
Report on Cash Flows	None

Source: GAO analysis of KPMG data.

-Table 2.1 reprinted from White House: Travel Office Operations (GAO/GGD-94-132, May 2, 1994).

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